

Message Text

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PAGE 01 THE HA 01209 070610Z

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ACTION EUR-12

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TO SECSTATE WASHDC 5399

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TAGS: EGEN, NL

SUBJ: DUTCH GOVERNMENT ACTS AGAIN AS UNEMPLOYMENT

DEEPENS

REF: HAGUE'S 4604, 5449, 5491, 5615

SUMMARY: GON SUBMITTED NOTE ON EMPLOYMENT TO PARLIAMENT FEB 20 WHICH ADDS NEW STIMULUS TO GOVERNMENT'S FIGHT AGAINST RECORD LEVEL OF UNEMPLOYMENT IN NETHERLANDS. NOTE PROVIDES FOR EXPENDITURES OF \$220 MILLION AIMED PRIMARILY AT EARLY REDUCTION OF UNEMPLOYMENT AND CONSERVATION OF EXISTING JOBS. TOTAL OF THIS AND SIMILAR PACKAGE IN NOVEMBER DOUBLES GOVERNMENT'S ESTIMATE OF BUDGET DEFICIT FOR 1975 FROM \$1.6 BILLION TO \$3.2 BILLION. PARLIAMENTARY DEBATE ON NOTE IS SCHEDULED FOR WEEK OF MARCH 17. END SUMMARY.

1. URGENCY OF COMBATING RAPIDLY RISING UNEMPLOYMENT WAS RECOGNIZED BY GON WITH INCLUSION OF EMPLOYMENT STIMULATING PROGRAMS IN 1975 BUDGET (HAGUE 4604) FOLLOWED BY COMPREHENSIVE AND DIVERSIFIED PACKAGE OF ADDITIONAL MEASURES IN GOVERNMENT'S ECONOMIC CRASH PROGRAM (HAGUE 5615). EARLIER PROGRAMS HOWEVER STRESSED THEIR LONG TERM CHARACTER, RESULTS OF WHICH WERE NOT EXPECTED BEFORE SECOND HALF 1975. BESIDES FURTHER
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PAGE 02 THE HA 01209 070610Z

MEASURES OF MORE LASTING NATURE, PRESENT NOTE EMPHASIZES

QUICKER WAYS TO DEAL WITH UNEMPLOYMENT, WHICH NOW HAS RISEN TO POST-WAR RECORD OF 206,000, OR MORE THAN FIVE PERCENT OF TOTAL WORKING FORCE.

2. AMONG FISCAL MEASURES PROPOSED ARE FOLLOWING:

- FIRMS SUFFERING LOSSES MAY WRITE THEM OFF AGAINST PROFITS MADE DURING TWO PRECEDING YEARS INSTEAD OF ONE YEAR ALLOWED AT PRESENT.
- ACCELERATED DEPRECIATION ON BUILDINGS OUTSIDE WESTERN HOLLAND WILL BE REINFORCED BY ADVANCING DATE ON WHICH DEPRECIATION MAY COMMENCE TO DATE ON WHICH BUILDING CONTRACT IS CONCLUDED.
- 90 MILLION DOLLARS WILL BE MADE AVAILABLE TO STIMULATE AND SUPPORT INDIVIDUAL FIRMS, WHICH WOULD OTHERWISE HAVE TO RELEASE EMPLOYEES.

4. - NOTE ALSO PROPOSES:

- \$40 MILLION TO BE EARMARKED FOR EMPLOYERS ENGAGING PEOPLE WHO HAVE BEEN IDLE FOR MORE THAN THREE MONTHS.
- \$12 MILLION TO BE MADE AVAILABLE FOR EMPLOYERS ENGAGING HANDICAPPED.
- RETRAINING PROGRAMS TO BE INCREASED AND PART TIME LABOR PROMOTED.
- CONSULTATIONS TO BE HELD WITH TRADE AND INDUSTRY ABOUT POSSIBLE INTRODUCTION OF ADVANCED OR FLEXIBLE RETIREMENT OVER PERIOD OF YEARS.

5. PROPOSALS FOR THE BUKLDING INDUSTRY, THE WORST HIT SECTOR ARE AIMED AT MAINTAINING DEMAND AND STRENGTHENING THE FUTURE PLACE OF THE BUILDING TRADE IN DUTCH ECONOMY:

- ANNOUNCEMENT OF OVER 29 MAJOR BUKLDING PROJECTS, REQUIRING OVERALL INVESTMENT OF OVER \$320 MILLION, FOR IMMEDIATE EXECUTION.
- MEASURES TO PROMOTE USE OF INSULATION IN PRIVATE HOUSES AND BUILDINGS, HIGHER PREMIUMS FOR HOUSE BUILDING, MORE BUILDING ACTIVITY IN HEALTH-CARE SECTOR AND SPEED-UP OF DRAFTING OF PROPOSED URBAN RENEWAL ACT.

6. ACCORDING TO GOVERNMENT'S ANALYSIS OF LABOR MARKET, NEW MEASURES PLUS THOSE PROPOSED IN NOVEMBER HAVE RAISED GON BUDGET DEFICIT FROM EXPECTED \$1.6 BILLION (HAGUE 4604) TO UNCLASSIFIED

UNCLASSIFIED

PAGE 03 THE HA 01209 070610Z

APPROXIMATELY \$3.2 BILLION. GOVERNMENT ADMITS THAT FINANCING OF DEFICIT MIGHT BE DIFFICULT.

7. IN PRESS CONFERENCE FOLLOWING NOTE'S SUBMISSION TO PARLIAMENT PRIME MINISTER DEN UYL SAID THAT GON HAD SEIZED EVERY OPPORTUNITY TO CREATE NEW JOBS. SOCIAL AFFAIRS MINISTER BOERSMA ADDED THAT SUCCESS DEPENDED ON REACTION OF DUTCH BUSINESS TO OPPORTUNITIES OFFERED. GENERAL FEELING EXPRESSED BY UNIONS

AND PRESS, HOWEVER, WAS ONE OF DISAPPOINTMENT THAT NOTE DID NOT
OFFER NEW POLICY BUT MERELY SERIES OF STOP-GAP REMEDIES WHICH
WOULD NOT SOLVE UNEMPLOYMENT PROBLEM. DEBATE IN
PARLIMENT IS SCHEDULED FOR WEEK OF MARCH 17.
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